



**For Immediate Release**

**April 24, 2007**

**Senate Budget Committee Ranking Member Judd Gregg (R-NH)**

**Senate Floor Speech on the 2007 Social Security and Medicare Trustees' Reports  
(Unofficial Transcript)**

**Mr. Gregg:** Madam President, I want to speak about a couple of issues. The first issue I want to talk about was the recent report which came out yesterday from the Medicare trustees, which said that the Medicare trust fund is in dire straits.

The Medicare trustees are required under law to report to the Senate and to the Congress and to the American people what the status, the economic status is, of the trust fund as it looks out into the future. Now, a lot of us have been talking for a long time about the problems with the entitlement programs which we have -- specifically, Medicare, Medicaid and Social Security -- and the fact that these three funds are headed towards a meltdown which is going to take with them the economy of this country.

The practical effect of these three funds in their present spend-out situation is that they have approximately \$69 trillion in unfunded liability. \$69 trillion over their actuarial life. Now, a trillion dollars is a number that all of us have a lot of problems comprehending. But to try to put that number into perspective, if you took all the taxes paid in the United States since we became a country, we've paid about \$46 trillion, I think, in taxes. If you take the entire net worth of America -- all our assets, all our cars, all our homes, all our stocks -- that, again, is in the range of \$45 trillion to \$50 trillion net worth. So what we have on the books as a result of the projected costs of the Medicare, Medicaid, and Social Security systems is a cost that exceeds all the taxes paid in the history of this country and exceeds the net worth of this nation.

Why is that? Why are we confronting this problem? Well, it's basically a function of demographics. The post-war baby boom generation, of which I'm a member, the largest generation in American history, is beginning to retire. And by the year 2035, the number of retired citizens in this country will double from the present number who have retired today -- will go from about 35 million retired citizens up to 70 million retired citizens. And the number of people working to support those retired citizens will drop commensurately.

Now, both Social Security, Medicare, and to some extent Medicaid were programs that were designed with the concept that there would be a lot of people working for every person retired. They were essentially pyramids. And, in fact, in 1960, there were about 5.1 people working for every person retired, so there were 5.1 people paying in to Social Security for every one person taking out. Today, there are about 3 1/2 people paying into Social Security, Medicare and Medicaid for every one person taking out and Social Security is actually running a surplus. But as this baby boom generation retires, that number changes radically, and we go from those large numbers paying in and a small number taking out to a large number taking out and a small number paying in. There will be about two people paying in for every one person taking out by the year... about 2035. So we go from a pyramid to a rectangle and the system can't support itself.

This chart reflects the severity of the problems. These three programs, Social Security, Medicare and Medicaid, as a percent of spending of the Gross National Product, well, by the year 2030, absorb almost 20% of Gross National Product. Now, why is that a problem? Well, today, and historically, the federal government has only spent 20% of Gross National Product. So the practical implications are that by 2030, the total spending of these three programs alone will absorb all the money that has historically been spent by the federal government, which means that nothing else could be spent -- no other money could be spent on things like national defense, environment, and education, because it would all be going to these three programs, assuming you maintain the federal share of the Gross National Product at its present level.

And things get worse, unfortunately. As the baby boom generation accelerates into the 2030 period, where just paying for those programs alone reaches 28.5% of Gross National Product by about the year 2050. Obviously, this is not a sustainable situation. Obviously it's a situation where if we continue on this path, we would essentially be saying to our children, who have to pay these bills, "we're going to subject you to a cost which far exceeds anything you could afford and basically hit you with a tax burden which would essentially mean that you, our children, our grandchildren, in order to support this retired generation, would be unable to send your children to college, buy your home, purchase your cars, live your lifestyle in the manner in which our generation has lived because the money which you would use to do that is going to have to be spent by taking taxes out of your pocket."

A lot of us have been talking about and some of us have even tried to address this issue, specifically the Administration, and the biggest part of this problem is not Social Security, ironically, it is Medicare. And now the Medicare trustees yesterday have made the point, once again, that if we don't do something and start to do it fairly soon in addressing the Medicare problem, we will bankrupt our children and our children's children's future with the cost of this program. This was their obligation as trustees. They're supposed to look at it objectively, and they have, and they've said that this program is now headed towards about \$34 trillion of unfunded liability, a huge number. Just a huge number. And we need to correct that. And ironically, and fortunately, a couple of years ago we put in place a law that requires that when the Medicare program starts to go in this direction of insolvency at a rate that means it's going to take a

significant amount of money from the general taxpayers' pocket versus money from the wage earner as they pay their hospital insurance, then at that point, the federal government is supposed to act.

And the way it works is this: if more than 45% of the Medicare trust fund is being supported by general fund dollars – what does that mean? Well, the Medicare trust fund theoretically was supposed to be the Part A and Part B, the hospitalization and the doctor's part, was supposed to be supported primarily by insurance premiums being paid under your hospital insurance tax which is taken out of your salary every week. But of course, under the Part B program, we've never really done that. We've actually ended up subsidizing that program with general funds instead of having it come out of the payroll tax.

Well, what this law says is that when that general fund subsidy exceeds 45% of the total cost of the Medicare system, then it is an excessively dangerous situation and it has to be addressed. And if this happens two years in a row, where the cost of Medicare is exceeding 45% of the general funds -- is coming from more than 45% of the general funds of the federal treasury -- then at that point, the Administration is supposed to send up -- whatever Administration is in power, that it -- a proposal to correct the problem.

Well, that's what the Medicare trustees have concluded. Last year they concluded that the trust funds were in severe strain and we're going to hit the 45% level, and this year they concluded the trust funds are under severe strain and it's going to hit the 45% level. And the practical effect of that is now the Administration is required, within 15 days of the next budget, to send up a proposal to correct the problem. Unfortunately, under the law, even though the Administration is required to send up such a proposal, the Congress is not required to act on it. Ironically, the Administration, in an act of true fiscal responsibility to our children and our children's children, this year sent up a proposal to try to correct this problem, or at least begin to correct the problem, not fully correct it, but begin to.

They suggested this year that there should be two adjustments in the Medicare trust fund, neither of which would have a significant impact on beneficiaries. In fact, for the most part, it would have absolutely no impact on beneficiaries, and unless you were a beneficiary in a very high-income situation with more than \$80,000 of personal income, or if you were married, more than \$160,000 of joint income, it wouldn't affect you at all.

There are two proposals, both that insulate beneficiaries. The first proposal was that we do an accurate reimbursement to providers. The proposal was an inflation adjustment to providers based on a 1.3% productivity increase over the next decade as a result of the fact that there have been new efficiencies introduced in the provider payment systems through technology primarily that have reduced costs, but that reduction in costs has not been reflected in the reimbursements. So we've actually been paying more than we should be paying on these accounts. Now, the Administration didn't suggest that they capture all that money. They suggested let's take half of that. Let's leave the provider groups with half of that money as a -- I don't want to use the word "windfall" because

that's got all sorts of pejoratives to it -- but as a bonus to them, and try to bring the Medicare system into some sort of solvency. That was the first proposal the Administration made, a very reasoned proposal in light of the fact that all the professional groups have concluded that this overpayment is occurring.

The second proposal they made was for people who were getting Part D, which is the drug benefit, if they're very high income individuals, should pay more for that drug benefit. Under the Part D premium, unlike Part B, there is no means testing. So the Administration said, "listen, if you're a retired senator, you should not be subsidized by somebody who's working at a restaurant or at a gas station or on a manufacturing line," which is what's happening today. The way the law works today, a person who is out there working for a living, maybe trying to raise their children, is actually having to pay to subsidize retired senators who are getting Medicare or, for that matter -- I don't want to pick on Bill Gates' father, but he's an example -- Bill Gates' father or Warren Buffett. Billionaires, or essentially millionaires, and people who make a heck of a lot of money are essentially being subsidized by people who are making an everyday wage and trying to make ends meet for their families.

So the Administration suggested that if you have more than \$80,000 of personal income, as an individual, or \$160,000 of joint income, as a couple, then you should be required to pay a portion, just a portion, of your Part D premium. A very reasonable approach. Those two proposals together would have reduced the insolvency, the out-year insolvency of the Medicare trust fund by almost one-third and would have taken tremendous pressure off the trust funds, especially the Medicare trust fund.

They were both rejected out of hand by the other side of the aisle. They were demagogued. People came to the floor and said this was going to savage Medicare, it was going to destroy Medicare, and it was going to undermine the rights of senior citizens to get Medicare. Outrageous statements were made by the other side of the aisle and continue to be made, relative to these two proposals, which were reasonably benign, did not affect beneficiaries, and would actually put Medicare on a solvency footing versus heading into insolvency, which is where it's headed right now.

And now the trustees have done their job and said, you know, the Administration is absolutely right, if we don't take some action here, if we don't correct this problem, we're going to have a Medicare system that cannot be afforded by our children, our grandchildren. And as a result, we'll have a major contraction in the system.

And yet, even though the Medicare trustees have said that -- and they're a pretty objective group; they're required under law to be objective -- we have the leading senator from the other side, Senator Schumer, taking the position that that's just politics, that really Medicare is fine, and instead of peddling an ill-conceived Social Security privatization plan that has already been overwhelmingly rejected by the American people, the Administration should turn its attention to strengthening Medicare.

Where was Senator Schumer when this amendment was offered on the floor? He voted against it. That's where he was. When the Administration came forward and did suggest something that was responsible, such as making very high-income individuals pay a part of their premium on Part D, Senator Schumer rejected it. When this Administration came forward and suggested that we should reimburse providers honestly and directly and fairly, but not over-reimburse them, or at least not too much overly reimburse them and take the savings and use it to make the Medicare system more solvent, where was Senator Schumer and his colleagues? They rejected that. And now they have the audacity to come forward and attack the Medicare trustees, whose job it is to present the facts as they are. And the facts as they are being that the Medicare system is going into bankruptcy and claim that that's politics? And then try to hyperbolize it into privatization, which has absolutely nothing to do with Medicare? How outrageous. How irresponsible.

For one generation not to face up to the problems it's giving the other generation -- Senator Schumer is a baby boomer, just like I am -- it's our problem that we're passing on to our kids. We're the problem. We exist, we're going to retire, we're going to retire in massive numbers, and then we're going to turn the bill for our retirement over to our children. We have a responsibility as a generation, but more importantly, we have a responsibility as policymakers here in the Senate to act, especially when the Medicare trustees have told us what the problem is -- told us that the problem is there, it's legitimate. Of course, it's pretty obvious to anybody, because we're all alive and we'll have this problem whether we like it or not.

And we have a bill, a law on the books which says specifically that this problem must be addressed when the Medicare trustees, two years in a row, determine that there is a problem -- that 45% of the general fund or more is being used to support Medicare -- and that we need to adjust the system to effectively address that issue and to make the system solvent and affordable for our children. And especially we should act when reasonable proposals are brought to the floor, proposals that have no maliciousness to them, have no political agenda to them, and have no purpose other than putting in place policies which are going to make the system more solvent and more affordable.

And yet it is rejected with partisan rhetoric of the worst order because it's got nothing to do with the Medicare plan. Privatization is thrown at the suggestion that we correct the Medicare system by making rich people pay more of their costs, by getting the reimbursement formula correct. That's subject to pejorative privatization by the Senator from New York, with no proposals at all -- none -- from the other side of the aisle to correct this problem which is looming.

There is -- other than fighting terrorism and the threat of an Islamic fundamentalist detonating a weapon of mass destruction in one of our cities or somewhere in America -- probably no problem which is more significant to the future of this nation than the pending fiscal meltdown which we are going to confront as a result of the cost of the programs which we have put on the books and which cannot be afforded. And if we just wait until we arrive at the cliff -- and we'll be going pretty fast when we

reach that cliff; we're not going to be able to stop -- and only try to dwell on it then, what will be our options? There will be so few, and they'll be so painful that they will have a dramatic effect and a dislocating effect, not only on the generation that will have to pay the costs but on the generation that receives these benefits.

We can today put in place changes which are gradual, which are reasoned, and which will accomplish the type of adjustments that are necessary in order to make this program work, work well for the beneficiaries so we have a strong, solvent Medicare system, and work well for those who pay the taxes to support them.

But, if every time the issue is raised that there has to be legitimate action in this area -- especially when it's being raised by the Medicare trustees who do not have a political agenda here, but are simply reporting a factual assessment of an actuarially existing fact pattern, which is that there are so many people alive today who are baby boomers that when they retire they are going to just basically overwhelm the system -- that if every time those red flags are raised they are going to be responded to by the leadership of the other side with pejoratives and partisanship and the use of phrases like "privatization," then we're not going to accomplish anything around here. All we're going to see is that we can deal with the next election, but we can't deal with the next generation. Might win the next election -- which I guess is the purpose of Senator Schumer -- but it's going to leave our kids one heck of a mess and seniors who are retired in the 2020 period are also going to be in a pretty horrific way. It was total irresponsibility in the remarks from the Senator from New York in response to the very responsible warnings brought forth by the Medicare trustees.

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